

## Message Text

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PAGE 01 COLOMB 00599 171212Z

15

ACTION NEA-10

INFO OCT-01 ISO-00 TRSE-00 AID-05 EB-07 IGA-02 OMB-01

AGR-05 CIAE-00 INR-07 NSAE-00 L-03 H-02 NSC-05 SP-02

/050 W

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P 171135Z FEB 76

FM AMEMBASSY COLOMBO

TO SECSTATE WASHDC PRIORITY 4253

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E.O. 11652:N/A

TAGS: EAID, CE

SUBJECT: INITIAL PAYMENT PROVISION OF PL 480 TITLE I AGREEMENT

REF: (A) STATE 034036; (B) COLOMBO 540; (C) COLOMBO 477

1. EMBASSY WISHES ONCE AGAIN TO EMPHASIZE REASONS  
AGAINST INCLUDING FIVE PER CENT INITIAL PAYMENT PROVISION  
IN PL 480 AGREEMENT CURRENTLY UNDER CONSIDERATION:

A. SRI LANKA REMAINS PRIME EXAMPLE OF MSA COUNTRY,  
WITH IMF ESTIMATE OF 1975 CURRENT ACCOUNT DEFICIT OF  
151 MILLION SDRS (REF C) AND GSL'S TENTATIVE ESTIMATE  
THAT 1976 UNFINANCED FOREIGN EXCHANGE GAP WILL REACH  
\$52.6 MILLION (REF B).

B. INITIAL FIVE PER CENT PAYMENT OF \$ 1.1 MILLION  
WILL SIMPLY ADD THAT AMOUNT TO 1976 DEFICIT, WITH NO  
IMMEDIATE INDICATION OF WHERE FOREIGN EXCHANGE IS TO  
COME FROM. FINDING CASH WILL BE SEVERE PROBLEM FOR  
GSL SINCE SHIPPING (AND THEREFORE PURCHASE AUTHORIZATIONS)  
MUST BE MADE IN BRIEF THREE-MONTH APRIL-JUNE  
PERIOD, THERE IS LITTLE PHASING INVOLVED. GSL WILL ALSO  
DURING SAME PERIOD HAVE TO MAKE CUSTOMARY PAYMENTS FOR FREIGHT.

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PAGE 02 COLOMB 00599 171212Z

C. PRIOR PL 480 AGREEMENTS DID NOT REQUIRE SUCH

INITIAL PAYMENT. IT WILL BE DIFFICULT TO EXPLAIN TO  
GSL WHY THIS NEW BURDEN SHOULD BE IMPOSED YEAR FOLLOWING  
ONE IN WHICH WELL-PUBLIZED US BALANCE OF PAYMENTS  
SURPLUS REACHED HIGHEST FIGURE IN TWENTY YEARS.  
IN SHORT, IT IS NOT NEEDED TO MEET A B/P PROBLEM OF  
OURS AND WOULD ACT GREATLY TO EXACERBATE THEIRS.

D.INSTITUTION THIS YEAR OF INITIAL PAYMENT PROVISION  
SEEMS INCONSISTENT WITH EXPRESS INTENT OF  
CONGRESS (TITLE II, SECTION 201) THAT PRESIDENT SHALL  
GIVE PRIORITY CONSIDERATION TO REQUIREMENTS OF  
COUNTRIES MOST SERIOUSLY AFFECTED BY FOOD SHORTAGES  
AND UNABLE TO MEET THEIR REQUIREMENTS THROUGH NORMAL  
COMMERCIAL PURCHASES.

2. EMBASSY HAS FURNISHED IN REF B AS DETAILED  
A PICTURE OF SL BALANCE OF PAYMENTS PROSPECTS AS WE  
COULD OBTAIN AT THIS TIME. SINCE IT PROJECTS A  
DEFICIT OF ONLY ONE-THIRD THAT OF PRIOR YEAR AND  
IS OBVIOUSLY BASED ON CERTAIN SOMEWHAT SHAKY  
PRICING ASSUMPTIONS, AS WELL AS IN ALL LIKELIHOOD FAILING TO  
TAKE INTO ACCOUNT ADDITIONAL 1976 EXPENDITURES , WE  
WOULD EXPECT \$52.6 MILLION TO BE ROCK BOTTOM FIGURE,  
AND THAT ULTMATE DEFICIT WILL RUN CONSIDERABLY HIGHER.

3. ACCORDINGLY, WE URGENTLY REQUEST THAT INTER-AGENCY  
COMMITTEE AGREE TO DELETION OF INITIAL PAYMENT PROVISION

FROM PL 480 INSTRUCTIONS.

VAN HOLLEN

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NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** AGREEMENTS, FOOD ASSISTANCE, PL 480 TITLE 1  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 17 FEB 1976  
**Decaption Date:** 01 JAN 1960  
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**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** GolinoFR  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
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**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
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**Errors:** N/A  
**Film Number:** D760058-0939  
**From:** COLOMBO  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1976/newtext/t19760244/aaaabmoe.tel  
**Line Count:** 91  
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**Office:** ACTION NEA  
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**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
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**TAGS:** EAID, CE  
**To:** STATE  
**Type:** TE  
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